

## Message Text

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SUBJECT: COUNCIL OF AGRICULTURAL MINISTERS, FEB. 16-17,  
1976

REF: EC BRUSSELS 604

1. SUMMARY; ALTHOUGH DEVOTED ALMOST ENTIRELY TO DISCUSSION OF THE COMMISSION'S PACKAGE OF PRICE PROPOSALS FOR 1976/77, THE FEB. 16-17 COUNCIL MEETING DOES NOT SEEM TO HAVE MOVED THE MEMBER STATES PERCEPTIBLY CLOSER TO AGREEMENT. A BASIC DIVERGENCE IS EMERGING BETWEEN THE GERMANS AND THE UK, ON THE ONE HAND, WHO GENERALLY FAVOR RESTRAINTS ON FARM SUPPORT MORE STRINGENT THAN THOSE PROPOSED BY THE COMMISSION AND, THE FRENCH, IRISH AND ITALIANS, ON THE OTHER, WHO WANT A HIGHER DEGREE OF SUPPORT FOR EC FARMERS. DISCUSSION FOCUSED ON GRAINS, DAIRY PRODUCTS, AND BEEF, AND LARDINOIS PRESENTED HIS NEW PROPOSAL FOR THE OBLIGATORY PURCHASE OF NFD (REPORTED SEPTEL). THE COUNCIL EXTENDED THE MARKETING YEARS FOR BEEF AND DAIRY TO MARCH 14 AND IMPOSED AN EXPORT TAX ON POTATOES. END SUMMARY.

2. THE FEB. 16-17 MEETING OF THE COUNCIL OF AGRICULTURAL MINIS-  
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TERS WAS DEVOTED ALMOST ENTIRELY TO AN EXAMINATION OF THE COMMISSION'S PRICE PACKAGE FOR 1976/77. THE DISCUSSION FOCUSED

ON THE MEASURES PROPOSED FOR GRAINS, DAIRY PRODUCTS AND BEEF. DESPITE THE LENGTHY REVIEW OF THE COMMISSION'S PROPOSALS, THE MEMBER STATES DO NOT SEEM TO HAVE MOVED PERCEPTIBLY CLOSER TO AGREEMENT. A DIVERGENCE SEEMS TO BE DEVELOPING BETWEEN THE GERMANS, AND THE UK, ON THE ONE HAND, WHO IN GENERAL FAVOR MORE STRINGENT RESTRAINTS ON FARM SUPPORT THAN THOSE PROPOSED BY THE COMMISSION AND THE FRENCH, ITALIANS AND IRISH, ON THE OTHER HAND, WHO WANT A HIGHER DEGREE OF SUPPORT FOR EC FARMERS. THE COMMISSION REPORTEDLY ESTIMATED THAT IF THE DEMANDS OF THE LATTER THREE COUNTRIES WERE MET, IT WOULD ADD ANOTHER 500 MILLION UNITS OF ACCOUNT TO NEXT YEAR'S EC BUDGET. PRICES DO NOT APPEAR TO BE THE MAJOR PROBLEM THIS YEAR. INSTEAD THE GREATEST DISAGREEMENT IS CENTERED ON THE POLICY REVISIONS PROPOSED BY THE COMMISSION.

3. WITH RESPECT TO GRAINS, IT APPEARS THAT ONLY THE UK AND ITALY THINK THAT THE PRICE INCREASES PROPOSED BY THE COMMISSION ARE TOO HIGH (ITALY IS CONCERNED ONLY ABOUT THE PRICE OF CORN). THE OTHER DELEGATIONS APPARENTLY FIND THESE PROPOSALS EITHER SATISFACTORY OR SOMEWHAT TOO LOW. THE MEMBER STATES ARE STILL CONCERNED WITH THE TECHNICAL PROBLEMS OF DIFFERENTIATING MILLING AND FEED WHEAT AND DISCUSSED THIS PROBLEM AT CONSIDERABLE LENGTH. HOWEVER, THEY OPTED TO CONTINUE DISCUSSION OF THE EC PROPOSALS ON THE BASIS THAT SUCH DIFFERENTIATION WILL BE POSSIBLE. IT APPEARS THAT MOST MEMBER STATES ARE AGAINST THE ESTABLISHMENT OF A REFERENCE PRICE FOR MILLING WHEAT BACKED UP ONLY BY OPTIONAL INTERVENTION. THE GERMAN PERMDEL OPINED THAT THE FINAL AGREEMENT IN THE GRAIN SECTOR WOULD INCLUDE MANDATORY INTERVENTION FOR MILLING WHEAT. ON THE OTHER HAND, HE FELT THAT THE PROPOSED REDUCTION IN THE INTERVENTION PRICE FOR FEED WHEAT WOULD BE APPROVED.

4. DAIRY: FRANCE, IRELAND, AND TO A LESSER EXTENT BELGIUM, CONTINUE TO OPPOSE ANYTHING REMOTELY RESEMBLING PRODUCER RESPONSIBILITY IN THE DAIRY SECTOR. THUS, OPPOSITION TO THE INTRODUCTION OF A GUIDE PRICE FOR NFDM IS QUITE STRONG AND THE GERMAN PERMDEL DOUBTS THAT THIS PROPOSAL WILL PROVE ACCEPTABLE. THE COMMISSION PROPOSAL FOR A WITHHOLDING PREMIUM IS ALSO OPPOSED BY THE FRENCH, BELGIANS, ITALIANS, AND IRISH. THE FRENCH LIMITED OFFICIAL USE  
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HAVE INSTEAD INDICATED SUPPORT FOR THE REINTRODUCTION OF PREMIUMS FOR THE CONVERSION OF DAIRY HERDS INTO BEEF PRODUCTION. THIS SAME GROUP OF COUNTRIES ALSO FAVORS HIGHER PRICES FOR DAIRY PRODUCTS AND BEEF. THE GERMANS AND BRITISH APPARENTLY WANT SMALLER INCREASES FOR DAIRY AND BEEF. LARDINOIS WAS APPARENTLY SOMEWHAT PUT OUT BY THE CONTINUING RESISTANCE ON THE PART OF SOME MEMBER STATES TO MEASURES AIMING AT RESTRAINING DAIRY PRODUCTION. HE SAID THAT THE MILK MARKET WAS ON THE VERGE OF COLLAPSE AND THAT, UNLESS SOME MEASURES WERE TAKEN, THE SITUATION ON THIS MARKET WOULD BE HOPELESS. IN THE COURSE OF

THE DISCUSSION, THE ITALIANS REPORTEDLY SUGGESTED THAT NATIONAL QUOTAS ON MILK PRODUCTION BE ESTABLISHED. THE GERMANS, ON THE OTHER HAND, BROUGHT UP THE IDEA OF A TAX ON DAIRY PRODUCERS TO HELP PAY THE COST OF SURPLUS DISPOSAL. NEITHER OF THESE IDEAS IS GIVEN ANY CHANCE OF SERIOUS CONSIDERATION, MUCH LESS OF ACCEPTANCE.

5. BEEF: AS NOTED IN THE PREVIOUS PARAGRAPH, THERE IS A DIVERGENCE BETWEEN THE MEMBER STATES ON THE LEVEL OF THE BEEF PRICES. OTHER THAN THE QUESTION OF THE PRICE LEVEL, THE DISCUSSION FOCUSED ON THE PROPOSED ABOLITION OF ALAUGHTER PREMIUMS -- WHICH THE BRITISH STRONGLY OPPOSE. IT IS GENERALLY FELT THAT THE OTHER MEMBER STATES ARE VEERING TOWARD THE UK POSITION AND THAT CONTINUATION OF SLAUGHTER PREMIUM PROGRAM WILL BE THE UK PRICE FOR ACQUIESCENCE IN WHATEVER FINAL AGREEMENT IS REACHED.

6. MONETARY COMPENSATORY AMOUNTS: THERE APPEARS TO HAVE BEEN A HARDENING OF MEMBER STATE POSITIONS ON THIS ISSUE. THE DUTCH IN PARTICULAR SEEM LESS WILLING TO ACCEPT THE COMMISSION'S PROPOSAL FOR A REVALUATION OF THEIR GREEN RATE. IN ADDITION, THE RECENT FLUCTUATION OF EXCHANGE RATES HAS PROVIDED A PRETEXT FOR THE MEMBER STATES TO URGE POSTPONEMENT OF CHANGES IN THE MCA'S. ON THE OTHER HAND, THE ITALIANS AND THE IRISH HAVE INDICATED THAT THEY WANT FURTHER DEVALUATIONS OF THEIR GREEN RATES.

7. THE COUNCIL EXTENDED THE 1975/76 MARKETING YEAR FOR MILK AND BEEF, DUE TO EXPIRE END OF FEBRUARY, TO MARCH 14, 1976. ANY INCREASE IN SUPPORT FOR THESE PRODUCTS, HOWEVER, WILL BE MADE RETROACTIVE TO MARCH 1. IN THE CASE OF BEEF, A NATIONAL SLAUGHTER PREMIUM OF 77.06 U.A. PER HEAD WAS AUTHORIZED  
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FOR THE PERIOD MARCH 1-14.

8. FINALLY, THE COUNCIL INTRODUCED A TAX OF 15 U.A./100 KG. ON EXPORTS OF WARE POTATOES AND UNDERTIFIED SEED POTATOES TO NON-MEMBER COUNTRIES.

9. THE NEXT MEETING OF THE AGRICULTURAL MINISTERS WHICH WAS SUPPOSED TO BE HELD ON FEB. 23-24 HAS BEEN POSTPONED UNTIL MARCH 2-3. MOST OBSERVERS DOUBT THAT THE MINISTERS WILL BE ABLE TO WRAP UP 1976/77 PRICES AT THAT TIME.

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